

March 12, 2001

TO: Senator Sid Snyder, Chairman  
Senator Dan McDonald  
Representative Jack Cairnes  
Representative Hans Dunshee  
Fred Kega, Director DOR  
Marty Brown, Director OFM

FROM: Chang Mook Sohn, Executive Director  
Office of the Forecast Council

SUBJECT: MARCH 10, 2001 REVENUE COLLECTION REPORT

General Fund-State collections were much higher than expected in the February 11 - March 10 collection period, with receipts \$76.8 million above the estimate for the month. The variance this period is, however, overstated due to a delay in the processing of tax returns as a result of the February 28<sup>th</sup> earthquake. Revenue Act (state retail sales, business and occupation, use, public utility and tobacco product taxes) receipts are overstated by an estimated \$29.5 million. In addition, collections this period included a large, unexpected use tax payment of \$11 million. Excluding these special factors, collections this month are \$36.3 million higher than the forecast for the month. This indicates a very strong economy. Virtually all the strength is in Revenue Act receipts, although the "other" category (primarily brokered natural gas tax payments), and lottery transfers are also significantly stronger than expected this month. Special factors aside, the higher than expected revenue indicates that the Washington economy is still healthy. Indeed both at the national and state level, employment has been stronger than expected, although slower real GDP growth, weaker consumer confidence, and lower asset values and retail sales point to slowing economic growth nationally.

Cumulatively, General Fund receipts are now \$117.6 million more than expected in the four months since the November forecast. Although special factors both this month and in the prior three months account for \$67 million, more than half of this total, the remaining \$50.6 million is due to stronger than expected economic activity. Although economic growth has slowed and consumer confidence has been weakening, it has yet to translate into slower spending in Washington. It should be cautioned that revenue can be quite volatile on a monthly basis and because well over half of the cumulative variance, not due to special factors, occurred during the most recent collection, some of it could be offset by weaker growth in the future.

Revenue Act collections were \$71.9 million above the forecast in the February 11 - March 10 collection period, \$31.4 million adjusting for the impact of processing delays and a large, unexpected use tax payment. Collections this period primarily reflect January activity of monthly taxpayers. Collections were very strong with receipts (adjusted for the special factors) 8.5 percent above a strong year-ago level. This is nearly double the 4.6 percent increase last month and is well above the average increase for the last three quarters of calendar 2000. However, it is the second time in the last three months that growth has exceeded the trend growth.

Information on tax payments this period, primarily reflecting January 2001 business activity, is very preliminary due to the delay in processing returns. These data show solid growth outside of the retail trade sector, with the construction, wholesale trade and transportation/communications and utility sectors reporting high single digit increases in tax payments. Overall the retailing sector appears less robust, with weak year-over-year increases reported by auto dealers, furniture and household equipment retailers and food stores.

Other General fund taxes collected by the Department of Revenue were \$653,000 above the estimate for the month. Stronger than expected liquor tax and brokered natural gas payments more than offset weaker than expected real estate excise, property and estate taxes.

Real estate excise activity appears to be slowly improving. Overall activity has been relatively flat over the last year with activity for all of 2000 down 1.5 percent. Activity bounced up this month, helped by lower mortgage rates. January 2001 closings, reflecting tax payments to the state in February, were up 4.5 percent from a year-ago, after declining three of the last four months. More encouraging is that the number of reported real estate transactions were up 5.8; this is the first increase since last April.

Other agencies' General Fund collections were \$4.2 million above the forecast in February. The Department of Licensing General Fund collections were virtually right on the estimates for the estimate for the month, while the Lottery's General Fund deposits were \$4.1million more than expected. Lottery sales have responded to higher jackpots over the last few months. Cumulatively, General Fund transfers are now \$8.0 million above the November forecast.

The attached table 1 provides a comparison of collections with estimates for the current midmonth period, February 11 - March 10, and cumulatively since our last forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's midmonth report.

**TABLE 1**  
**Revenue Collection Report**  
**March 10, 2001 Collections Compared to the November 2000 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
<b>February 11 - March 10, 2001</b>				
Department of Revenue-Total	\$607,225	\$679,817	\$72,592	12.0%
Revenue Act** (1)	551,758	623,697	71,939	13.0%
Non-Revenue Act(2)	55,467	56,120	653	1.2%
Liquor Sales/Liter	5,833	6,321	488	8.4%
Cigarette	5,145	4,582	(564)	-11.0%
Property (State School Levy)	4,728	4,321	(407)	-8.6%
Estate	7,399	3,334	(4,065)	-54.9%
Real Estate Excise	24,220	24,034	(186)	-0.8%
Timber (state share)	3,241	3,241	(0)	-0.0%
Other	4,902	10,288	5,386	109.9%
Department of Licensing (2)	505	551	46	9.1%
Lottery (2)	6,224	10,351	4,127	66.3%
<b>Total General Fund-State***</b>	<b>\$613,954</b>	<b>\$690,719</b>	<b>\$76,765</b>	<b>12.5%</b>
<b>Cumulative Variance Since the November Forecast (November 11 - March 10, 2001)3</b>				
Department of Revenue-Total	\$3,550,860	3,660,364	109,504	3.1%
Revenue Act** (3)	2,706,774	2,823,791	117,017	4.3%
Non-Revenue Act(4)	844,086	836,573	(7,513)	-0.9%
Liquor Sales/Liter	31,086	31,028	(58)	-0.2%
Cigarette	21,252	21,049	(203)	-1.0%
Property (State School Levy)	583,420	576,102	(7,318)	-1.3%
Estate	30,892	28,871	(2,022)	-6.5%
Real Estate Excise	123,968	119,552	(4,416)	-3.6%
Timber (state share)	7,581	7,449	(132)	NA
Other	45,887	52,523	6,636	14.5%
Department of Licensing (4)	2,122	2,226	104	4.9%
Lottery (4)	20,354	28,317	7,963	39.1%
<b>Total General Fund-State***</b>	<b>\$3,573,336</b>	<b>\$3,690,907</b>	<b>\$117,571</b>	<b>3.3%</b>

1 Collections February 11 - March 10, 2001. Collections primarily reflect January 2001 activity of monthly taxpayers.

2 February 1-28, 2001 collections.

3 Cumulative collections, estimates and variance since the November forecast; (Nov. 11- March 10, 2001) and revisions to history.

4 Cumulative collections, estimates and variance since the November forecast; (November,2000 - February 2001) and revisions to history.

\* Based on the November 2000 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

**TABLE 2**  
**February 10, 2001 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
<b>January 11 - February 10, 2001</b>				
Department of Revenue-Total	\$1,022,454	\$1,022,452	(\$2)	-0.0%
Revenue Act (1)	942,973	942,973	0	0.0%
Non-Revenue Act(2)	79,479	79,479	(0)	-0.0%
Liquor Sales/Liter	10,229	10,229	(0)	-0.0%
Cigarette	6,469	6,469	0	0.0%
Property (State School Levy)	9,933	9,933	0	0.0%
Estate	8,492	8,492	(0)	-0.0%
Real Estate Excise	32,898	32,898	0	0.0%
Timber (state share)	0	0	0	NA
Other	11,458	11,458	(0)	-0.0%
Department of Licensing (2)	624	624	(0)	-0.0%
Lottery (2)	7,764	7,764	0	0.0%
Total General Fund-State***	\$1,030,840	\$1,030,840	(\$0)	-0.0%
<b>Cumulative Receipts: November 11 - February 10, 2001 &amp; Revisions to History</b>				
Department of Revenue-Total	2,980,547	\$2,980,547	\$0	0.0%
Revenue Act (3)	2,200,094	2,200,094	0	0.0%
Non-Revenue Act(4)	780,453	780,453	(0)	-0.0%
Liquor Sales/Liter	24,707	24,707	0	0.0%
Cigarette	16,467	16,467	0	0.0%
Property (State School Levy)	571,781	571,781	0	0.0%
Estate	25,537	25,537	(0)	-0.0%
Real Estate Excise	95,517	95,517	0	0.0%
Timber (state share)	4,208	4,208	(0)	NA
Other	42,235	42,235	0	0.0%
Department of Licensing (4)	1,675	1,645	(30)	-1.8%
Lottery (4)	17,966	17,966	(0)	-0.0%
<b>Total General Fund-State***</b>	<b>3,000,188</b>	<b>\$3,000,158</b>	<b>(\$30)</b>	<b>-0.0%</b>

P-Preliminary. Reported in the January 10, 2001 collection report.

R Revised data.

1 Collections December 11 - January 10, 2001. Collections primarily reflect November 2000 business activity of monthly taxpayers.

2 December 1-31, 2000 collections.

3 Cumulative variance for since the September forecast: Nov. 11 - January 10, 2001 & revisions to history.

4 Cumulative variance: since the November forecast (November & December 2000 ) & revisions to history.

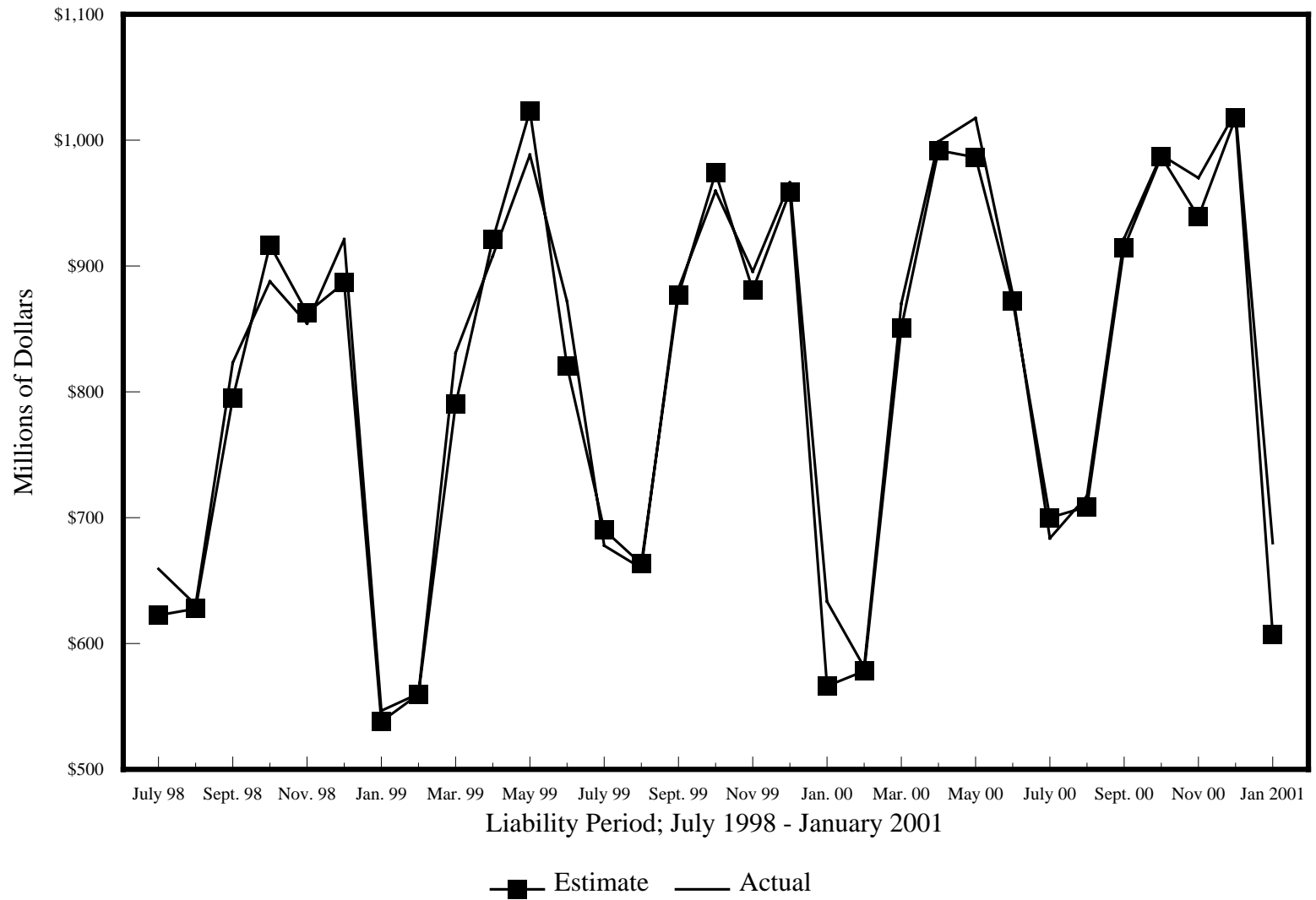
\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

**General Fund-State Collection Experience**  
**Variance Since the November 2000 Forecast**  
**November 11 - March 10, 2001**  
**Millions of Dollars**

<u>Collection Period/Source</u>	<u>Nov. 11 - Dec. 10</u>	<u>Dec. 11- Jan. 10</u>	<u>Jan. 11 - Feb. 10</u>	<u>Feb. 11 - Mar. 10</u>	<b>Cumulative: November 11 - March 10, 2001</b>
<b>I. Total Reported Variance</b>					
Revenue Act	\$0.2	36.3	\$8.6	\$71.9	\$117.0
Real Estate Ex.	0.2	(1.9)	(\$2.5)	(0.2)	(4.4)
Property tax	(0.7)	(3.8)	(\$2.4)	(0.4)	(7.3)
Other	1.6	0.3	\$1.1	1.2	4.2
Subtotal:DOR	1.3	30.9	\$4.7	72.6	109.5
Lottery	2.5	(0.8)	\$2.2	4.1	8.0
Dept. of Licensing	0.0	0.0	\$0.0	0.0	0.1
<b>Total GF-State</b>	<b>\$3.8</b>	<b>\$30.1</b>	<b>\$6.9</b>	<b>\$76.8</b>	<b>\$117.6</b>
<b>II. Special Factors:</b>					
Revenue Act					
Large Audit payments	0.0	11.5	8.0	0.0	19.5
Large Use tax payments	0.0	7.0	0	11.0	18.0
Delay in Processing	0.0	0.0	0.0	29.5	29.5
<b>Total</b>	<b>0.0</b>	<b>18.5</b>	<b>8.0</b>	<b>40.5</b>	<b>67.0</b>
<b>III. Variance- w/o Special Factors</b>					
Revenue Act	0.2	17.8	0.6	31.4	50.0
Real Estate Excise tax	0.2	(1.9)	(2.5)	(0.2)	(4.4)
Property tax	(0.7)	(3.8)	(2.4)	(0.4)	(7.3)
other	1.6	0.3	1.1	1.2	4.2
Subtotal:DOR	1.3	12.4	(3.3)	32.1	42.5
Lottery	2.5	(0.8)	2.2	4.1	8.0
Dept. of Licensing	0.0	0.0	0.0	0.0	0.1
<b>Total GF-State</b>	<b>\$3.8</b>	<b>\$11.6</b>	<b>(\$1.1)</b>	<b>\$36.3</b>	<b>\$50.6</b>

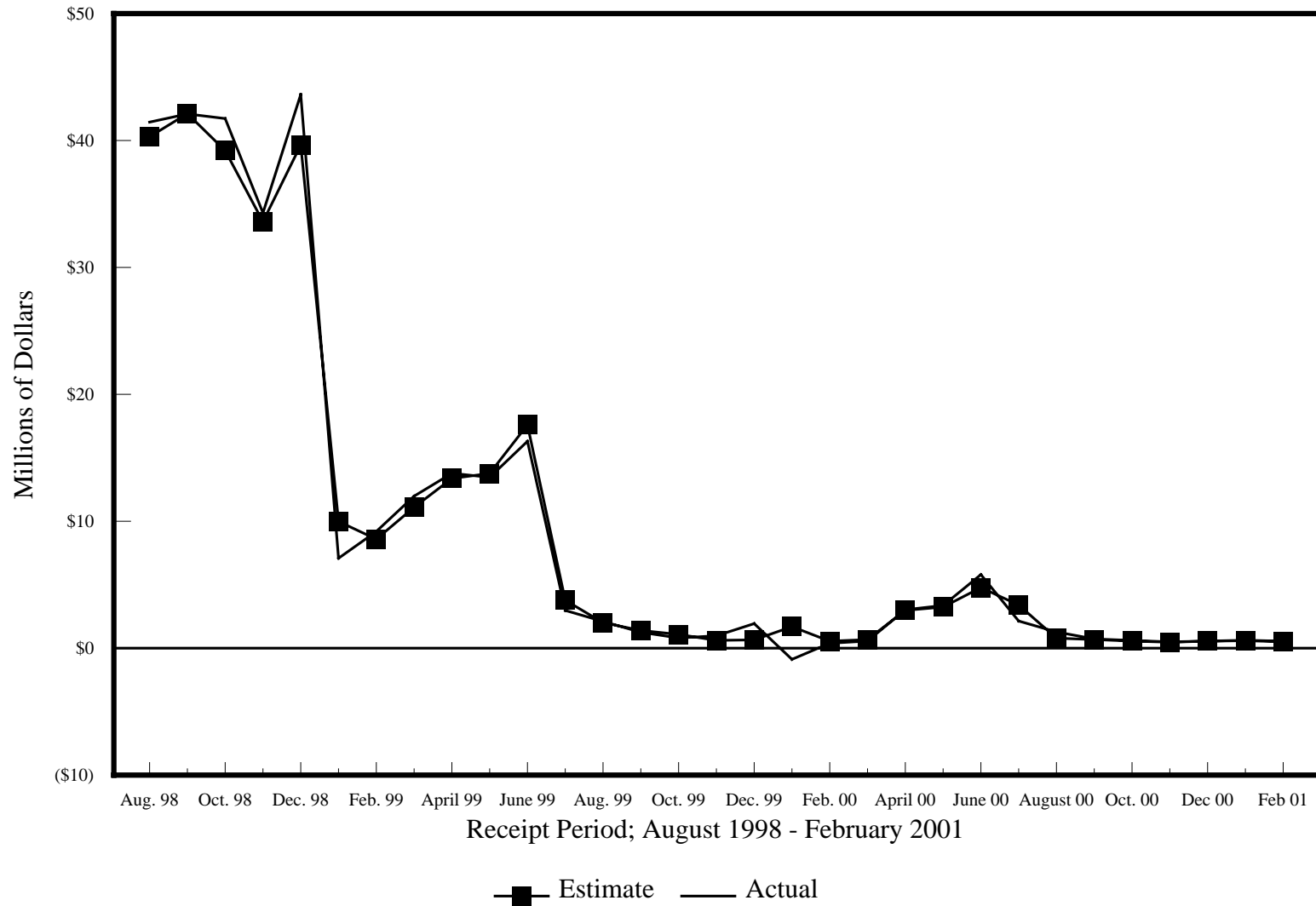
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to January 2001



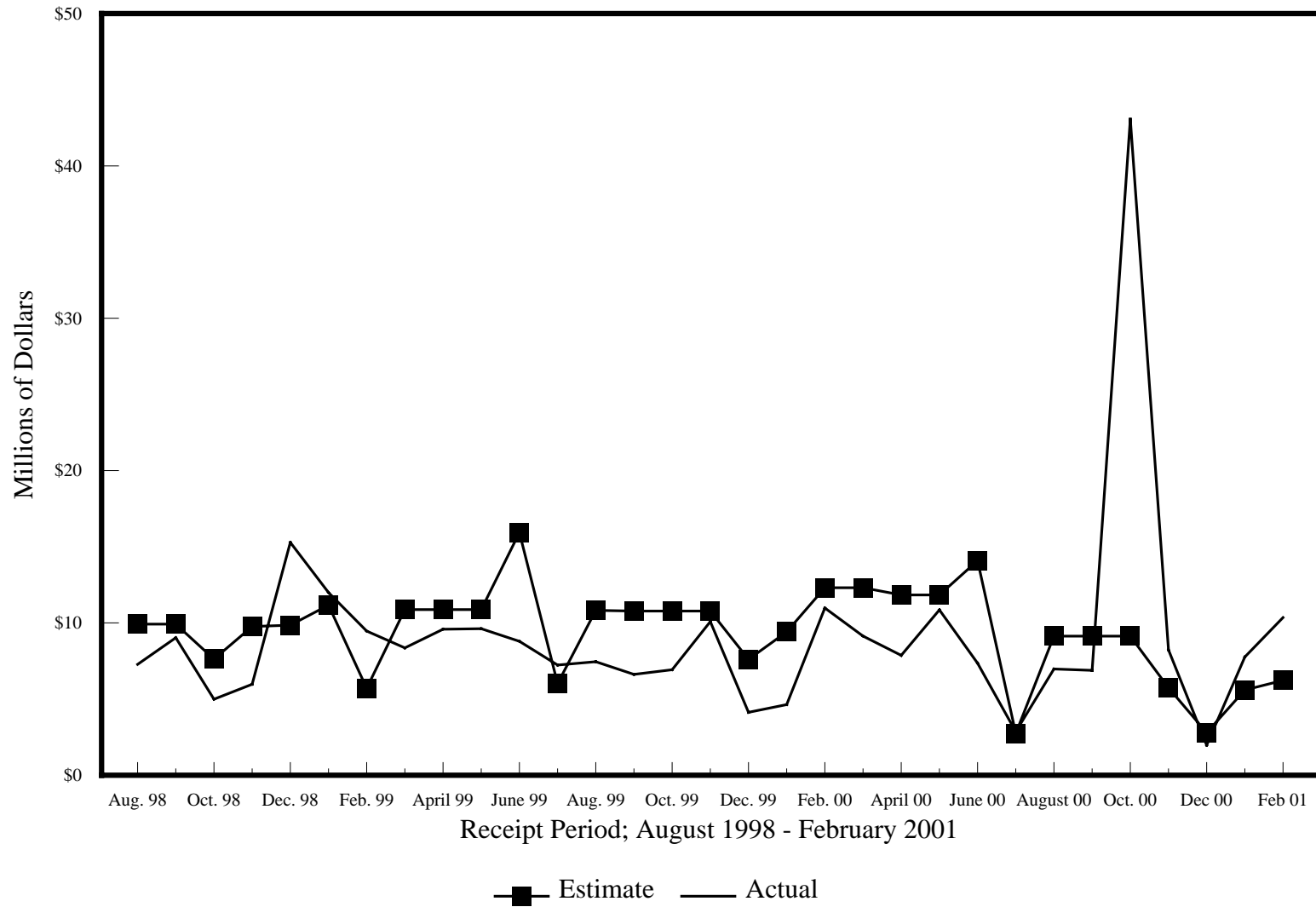
# Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to February 2001



# Lottery Transfers to the General Fund, Actual vs. Estimate

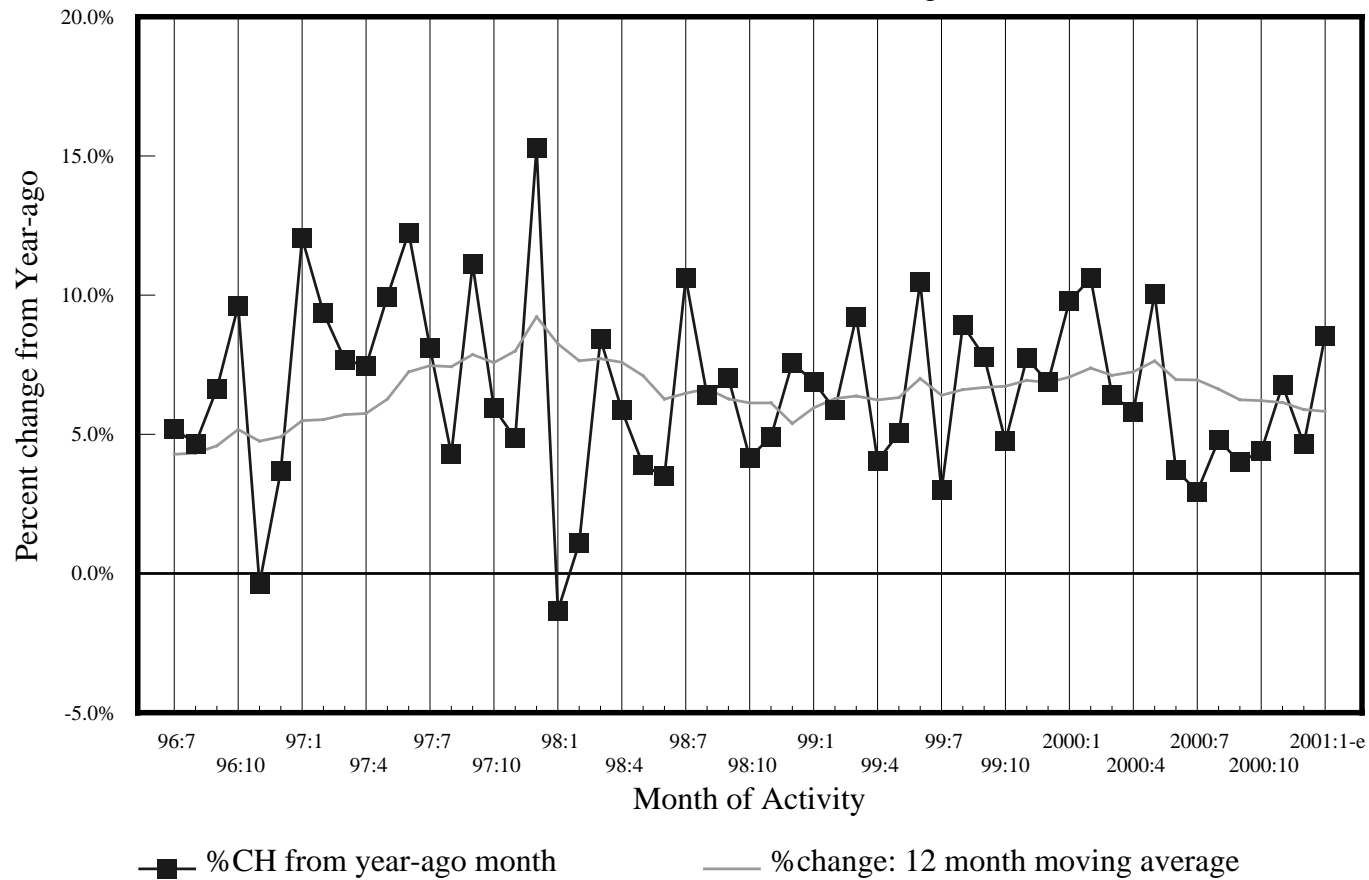
August 98 to February 2001





# Revenue Act Net Collections\*

Year-over-Year Percent Change



\*Excluding new legislation and special factors